The Manitoba Hazardous Waste Management Corporation

2000-2001

Fourteenth
Annual
Report

Letter of Transmittal

The Honourable Peter Liba
Lieutenant Governor of the Province of Manitoba

May it please your Honour:
I have the honour of presenting to you the Annual Report for the Manitoba Hazardous Waste Management Corporation for the year ended March 31, 2001.

Honourable Oscar Lathlin
Minister of Conservation responsible for the
Manitoba Hazardous Waste Management Corporation

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Manitoba Hazardous Waste Management Corporation
Board of Directors / inside back cover

Miller Environmental Corporation
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Overview

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This was the fifth year that Miller Environmental Corporation has operated the Manitoba Environment Centre which was developed near St. Jean Baptiste by the Manitoba Hazardous Waste Management Corporation (MHWMC).

Miller Environmental was established in 1996 through a 50-50, public-private partnership between MHWMC, a provincial crown corporation, and Miller Waste Systems, a division of Miller Paving Ltd. of Markham, Ontario. Under the terms of the partnership, Miller Environmental is responsible for the operation of the environmental centre and its hazardous waste disposal business. The MHWMC continues to own the centre site and, as the landlord, is entitled to rent as its share of profits.

Policy direction for Miller Environmental is shared by Miller Waste Systems and the Manitoba Government. Miller appoints five directors to the corporation's nine person board while the other four are provincial government nominees. As stipulated by the partnership agreement, two of the province's directors must be residents of the RM of Montcalm where the environmental centre is located a mile west of the intersection of Highways 75 and 14.

2000-2001 HIGHLIGHTS

Miller pays rent for the first time to Manitoba H[illegible]anagement Corporation.

Miller revenues rise 20 per cent in each of the past two y[illegible]

Employment increases at St. Jean Baptiste plant.

Corporation's goals are more customers, more w[illegible]ng techniques and capacity.

Key players cooperate in running the Manitoba Environmental Centre.

Busy year for hazardous waste corporation and community liaison committee.

Message from Montcalm Community Liaison Committee

In the past year, the Community Liaison Committee (CLC) continued to diligently monitor operations at the Manitoba Environmental Centre (MEC) operated by Miller Environmental Corporation.

To carry out our mandate of safeguarding the interest of RM of Montcalm residents, we have met regularly with Miller representatives over the course of the past 12 months.

We voiced our opinions on numerous requests that Miller has submitted to the Manitoba Department of Conservation, requests that the company feels are necessary to remain competitive as well as a leader in the hazardous waste disposal industry. We submitted our comments and approved requests for new processes to be added at the MEC, as well as sanctioning several changes to Miller's operating licence.

The licence alterations focused on storage locations for wastes on the plant site and storage timelines for wastes in trailers. We also approved new processes to stabilize waste streams in a manner similar to the lead-sand project in 1999. Once wastes are rendered non-hazardous, residues are tested before being shipped to approved landfills in the province. No residues remain on-site or are disposed of in our municipal landfill. This promising new phase of the centre's operations will undoubtedly expand in future.

No serious concerns were raised in the annual monitoring report on Miller's operations at the site. We received and reviewed the report, sharing this responsibility with the Manitoba Hazardous Waste Management Corporation and the Manitoba Department of Conservation. No emissions or accumulations of emissions were noted in the report.

We remain concerned, however, about the volume of untreated contaminated Lindane seed that remains at the centre. The first load of this hazardous agricultural waste arrived in August, 1999 and two more loads were received in March, 2000. Yet, little seed has been treated because Miller and its associates, Mid-Canada Soils, have been struggling to find a neutralization process that works. Although this poses no serious risk to the community, treatment and disposal must happen soon, as wastes are not to be stored indefinitely on site.

Members of the Montcalm volunteer fire department have visited the MEC and site again to ensure they are familiar with Miller's operations. It is important for our local firefighters to understand the site layout and the operation of equipment in the plant. They were pleased with their visits which will be repeated next year.

Another positive development is that the courts have finally resolved the case that resulted from the Oct. 1999 fire at the plant. The sudden and speedy conclusion was a relief because the case dragged on for months while the crown and Miller exchanged information. At the request of Miller's legal counsel, the CLC wrote a letter of community support, indicating our belief that Miller has improved its conduct and become more responsible at the site. We are pleased that the case is finally over and wish to put this chapter behind us.

The CLC is optimistic that the Manitoba Environmental Centre will continue to be beneficial to the community. As has been our practice for the past 12 years, we will do our part to make sure this happens by carefully examining requests for changes in site operations and by remaining in close contact with the Department of Conservation.

Gaetan Fontaine,
Chairman,
Montcalm Community Liaison Committee

COMMUNITY LIAISON COMMITTEE

Gaetan Fontaine, Chairman
Jean Barnabé, Vice-Chairman
Lucille Sabourin, Secretary
Leo Leclair
Emile Remillard
Gilles Vermette
Guy Sabourin
Henri Marion

PLANT CO-MANAGEMENT COMMITTEE

Denis Foidart
Bernard Baril
Claude Lafond

LIAISON BETWEEN MEC AND RM OF MONTCALM COUNCIL

Councillor Gilles Sabourin

Message from the Chairman and CEO

Miller Environmental Corporation has achieved significant improvement in its gross margins and is poised for a profit in the new year.

This was the most exciting news for our board since Miller was established in 1996 as a 50-50 public-private partnership between MHWMC, a provincial crown corporation, and Miller Waste Systems, a division of Miller Paving Ltd. of Markham, Ontario.

Miller's move from the development stage to near profitability means that the people of Manitoba will soon reap the first financial returns from the Manitoba Environmental Centre, the Miller-MHWMC hazardous waste treatment plant in the RM of Montcalm near St. Jean Baptiste. Miller operates the plant and its hazardous waste disposal business while MHWMC, as owner of the site, is entitled to collect rent out of any profits made by the plant.

The positive financial results were the highlight of a busy year where the MHWMC board continued to oversee the province's interests and investment in the joint venture. Miller Environmental's operations and business were thoroughly reviewed May 30, 2000 when I attended a Miller Environmental board meeting. We heard presentations from all Miller department heads, studied and approved financial figures, and discussed challenges and strategies for the company.

Also during the year, we continued to review new business proposals from Miller. Besides looking at storage requirements, we scrutinized the company's future plans and techniques for treating a wide variety of waste streams.

We work hand in hand with the Montcalm Community Liaison Committee (CLC) in the monitoring of Miller Environmental's operations. We continue to attend all CLC meetings so that the MHWMC board will be fully aware of the community's issues and concerns. As well, the CLC chairman is invited to all MHWMC meetings as part of the two-way exchange of views and information. We also provide interpretation and assistance to the CLC when we are both monitoring technical and operations reports from the plant.

In our role as a provincial watchdog, part of our mandate is to raise issues with Miller and join the CLC in providing comment and opinion when plant officials are asking the Manitoba Conservation Dept. for changes in the centre's operating licence. We take these responsibilities very seriously and spend a great deal of time examining changes being proposed by the company.

We are pleased that the courts have finally dealt with the Oct., 1999 fire that damaged the plant. This was a learning experience for everybody concerned in the plant's operations, from Miller and the MHWMC to the CLC and local fire departments. As a result of the fire, better and safer procedures have been put in place and all the stakeholders know more about the building and its treatment and handling processes. Now it is time to bring closure to the incident and move on to other challenges.

One challenge is to find a successful way to treat and dispose of contaminated Lindane seed, a hazardous agricultural waste that has been stored at the plant for some time. We are disappointed that the Lindane has not been rendered non-hazardous and continue to have concerns about the amount on site. We hope there will be a positive resolution to this problem so that the Lindane can be neutralized and moved to a landfill site in the near future.

We will find it easier to resolve this and other challenges when the provincial government fills current board vacancies - one each on the MHWMC and Miller Environmental. In the case of the MHWMC board, we would welcome the addition of more scientific and technical expertise to complement the skills already present on our board. Expertise is essential in today's technological world and we are encouraged by the assurance from Manitoba's Conservation Minister - the Hon. Oscar Lathlin - that he is looking for new board members to fill the two vacancies.

Finally, I would like to thank present board members for their commitment to the MHWMC during the past year. We have also appreciated the contribution of Dave Wotton, an assistant deputy minister in the Conservation Dept. who was our liaison with the province but is now moving on to other challenges.

Richard A. Gallant,
Chairman and Chief Executive Officer

Operations

Miller Environmental Corporation, the operator of the Manitoba Environmental Centre (MEC) for the past five years, has completed the best 12 months in its relatively short history.

Miller recorded a 20 per cent increase in revenue in the latest fiscal year ending Feb. 28, 2001, maintaining the momentum of a strong growth pattern that started in 1999-2000. This continuing success in the marketplace will enable the company to pay rent for the first time to the Manitoba Hazardous Waste Management Corporation (MHWMC), our provincial crown corporation that owns the centre site where Miller treats and neutralizes hazardous wastes.

Additional employment has also been generated by Miller's progress from an embryo developing company into a leader in the hazardous waste disposal business in Manitoba, Saskatchewan and Northwestern Ontario. There are now 12 plant employees and three office staff at the centre near St. Jean Baptiste, compared to the three who launched the operation. Just as satisfying, Miller is gaining general recognition as a desirable, well-paying employer that brings jobs, salaries, purchasing power and other economic benefits to the RM of Montcalm.

Altogether, Miller has 26 highly-motivated Manitoba employees who are dedicated to attracting more hazardous wastes to the centre and enhancing the company's reputation for processing them efficiently. On the technical side during the year, Miller continued to develop its processing capacity and ability to treat more types of waste. One innovation was a technique for stabilizing contaminated heavy metals and rendering the residues non-hazardous.

Miller officials are committed to a continuing program of developing new technologies to address a wide variety of waste streams. The underlying principle is that Miller processes remove a great deal of water from waste, reducing costs for customers by leaving much smaller amounts of material to be shipped to landfills.

A disappointment so far has been the effort to neutralize shipments of the agricultural pesticide Lindane seed that have been shipped to the centre. However, the company is persevering and feels it is very close to developing a successful process. Once this happens, there will be a substantial business opportunity for the centre to treat not only Lindane, but also other the wastes from other agricultural pesticides that are used in Canada's canola, corn and grain fields.

The company has also successfully completed its second year as contractor for the Manitoba Government's household hazardous waste disposal program. Under the program, Miller undertakes spring and fall pick-ups in rural areas, and also provides a Winnipeg depot where householders can bring hazardous wastes. The province has extended this contract for a third year until the end of March 2002.

Overall, Miller derives the majority of its revenue from 250 businesses, industries and institutions whose activities require them to dispose of hazardous wastes. Customers include the metal processing, aerospace, trucking, printing and paint industries, plus everybody from service stations, railroads and grain companies to hospitals and laboratories. Other revenue comes from the household collection program and from handling emergency responses to incidents such as chemical spills.

As the year ended, there was tremendous team spirit at Miller sparked by the gains of the past two years. This bodes well for the future.

Environmental Policy Statement

While the Manitoba Hazardous Waste Management Corporation is no longer directly operating a waste management business, it remains committed to its original goals.

Its principal objective is to develop a Manitoba hazardous waste management system that will both preserve and enhance the quality of the environment in the province.

This is a fundamental element of the provincial government's broader policy of fostering universal environmental stewardship and sustainable economic development in Manitoba.

In carrying out its mandate, the corporation uses these guidelines as the basis for decision-making:

1. Recycling, re-use and recovery at source must be promoted, encouraged and carried out to minimize waste generation and maximize resource conservation.

2. All projects and activities related to hazardous waste management and disposal must be consistent with the protection of public health and environmental quality.

3. Public approval of the disposal system and its components must be earned through open and responsive communication and through public participation in all aspects of system development and operation.

4. Economic development will be encouraged and generated by a cost-effective waste management system that enhances environmentally-based enterprises.

5. Contemporary environmental values and policies will be fostered and promoted through public education and research, as well as by example.

6. The corporation will assume in perpetuity the environmental stewardship of all wastes and residues placed in its custody.

Outlook

After averaging 20 per cent growth in each of the last two years, Miller Environmental Corporation is buoyed by a wave of momentum as it enters a new fiscal year.

Corporation officials feel the company has entered the most exciting period in its relatively short history which started in 1996 when it was formed to run the Manitoba Environmental Centre (MEC) near St. Jean Baptiste. From the initial years of plant development and training, it has progressed to the point where it is now a leading and increasingly respected player in the hazardous waste disposal business in Manitoba, Saskatchewan and Northwestern Ontario. Today, Miller is a strong, self-sustaining and growing operation which is aggressively seeking further gains in the marketplace.

The optimism of its executives has justification as the centre set a record for processing volumes this spring and revenues in the early months of the 2001-02 fiscal year were running 25 per cent ahead of this year. As the new year evolves, Miller will continue to capitalize on its present momentum by developing more processing capacity and working hard to attract additional customers. Most new growth will be attained in its current market, although the company is also drawing a small amount of business from the United States.

The company will pursue a policy of seeking cooperative relationships with its competitors in the waste disposal industry. It will concentrate on the development and sharing of reciprocal business so that each disposal company is doing what it does best. This policy is based on a belief that alliances within the industry are a better formula for success and survival than a dog-eat-dog, winner takes all mentality.

Challenges lie ahead, of course. Manitoba, the company's prime market, is the home of fewer and fewer heavy industries in an age of recycling and environmental concern about reducing waste streams. This means that Miller will have to remain on the leading edge of processing technology to deal with the increasingly tough and complex wastes left in the system.

The company is also dedicated to pursuing solid and enhanced relationships with the Manitoba Department of Conservation and the Rural Municipality of Montcalm. It believes that if government regulations provide a level playing field for all companies in the disposal industry, the outlook for Miller is very positive indeed.

Management's Responsibility for Financial Reporting

The accompanying financial statements, and other financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The accompanying financial statements were prepared by management in accordance with generally accepted accounting principles and include, where appropriate, amounts based on management's best estimate and judgements. Any financial information contained in the Annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance of the reliability and accuracy of the financial information and that assets are properly safeguarded from loss. The external auditors have performed an independent examination of the financial statements of the Corporation in accordance with generally accepted auditing standards.

R. Gallant
Chairman and Chief Executive Officer
September 20, 2001

R. Barnabé
Manager, Finance & Administration
September 20, 2001

Auditors' Report

To the Board of Directors
Manitoba Hazardous Waste Management Corporation

We have audited the balance sheet of Manitoba Hazardous Waste Management Corporation as at March 31, 2001 and the statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all materials respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

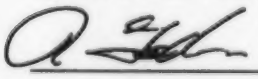
Chartered Accountants
Winnipeg, Manitoba
July 6, 2001

Balance Sheet

As at March 31, 2001 (with 2000 comparative figures)

	2001	2000
ASSETS		
CURRENT		
Cash	$ 190,585	$ 233,220
Accounts receivable	20,000	20,000
Long term investment-Miller Environmental Corporation (note 2c)	3,000,000	3,000,000
Capital assets-land, at cost	170,305	170,305
Deferred development costs (note 3)	3,542,065	3,782,205
TOTAL ASSETS	$ 6,922,955	$ 7,205,730
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 13,508	$ 31,352
EQUITY		
Share capital		
Authorized 350,000 shares for a maximum consideration of $35,000,000		
Issued and fully paid-75,000 shares	7,500,000	7,500,000
Retained earnings (Deficit)	(590,553)	(325,622)
Total equity	6,909,447	7,174,378
TOTAL LIABILITIES AND EQUITY	$ 6,922,955	$ 7,205,730

Signed on behalf of the Board:



R. Gallant
Chairman and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

Statement of Operations and Retained Earnings (Deficit)

For the year ended March 31, 2001 (with 2000 comparative figures)

	2001	2000
EXPENSES		
Amortization of deferred development costs	240,140	240,140
General and administrative expenses	24,791	82,339
Total expenses	264,931	322,479
NET LOSS FOR THE YEAR	(264,931)	(322,479)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	(325,622)	(3,143)
RETAINED EARNINGS (DEFICIT), END OF YEAR	$ (590,553)	$ (325,622)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31, 2001 (with 2000 comparative figures)

	2001	2000
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	$ (264,931)	$ (322,479)
Non-cash items		
Amortization of deferred development costs	240,140	240,140
Changes in non-cash working capital		
Accounts payable and accrued liabilities	(17,844)	(27,074)
Cash used for operating activities	(42,635)	(109,413)
DECREASE IN CASH	(42,635)	(109,413)
CASH, BEGINNING OF YEAR	233,220	342,633
CASH, END OF YEAR	$ 190,585	$ 233,220

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The Corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the Corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Coproration (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shared of Miller. Under the agreements, the Corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Reporting**
The financial statements have been prepared in accordance with generally accepted accounting principles.

b) **Deferred Development Costs and Amortization**
Deferred development costs are recorded at cost. These costs are being amortized on a straight line basis over 20 years.

c) **Long Term Investment, Shares**
The investment in Miller Environmental Coporation is recorded at cost.

d) **Rental Income**
According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

3. DEFERRED DEVELOPMENT COSTS, at amortized cost

	2001	2000
Balance, beginning of year	$ 3,705,205	$ 4,022,345
Amortization	240,140	240,140
Balance end of year	$ 3,542,065	$ 3,782,205

4. RENTAL INCOME

Rental income was earned in the current year. As the computation of gross profit rental income requires approval of both Miller Environmental and MHWMC board, management has opted to record no rental income until approval is received.

5. ECONOMIC DEPENDENCE

The Corporation is economically dependent on Miller Environmental Corporation. The Corporation's main furture sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. PUBLIC SECTOR COMPENSATION

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the renumeration paid to Board members during the year, in aggregate, totaled $8,549. No employee's compensation exceeded $50,000 per year.

7. CONTINGENT LIABILITIES

Under the terms of the agreements with Miller Environmental Coporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

BOARD OF DIRECTORS

Mr. Richard Gallant, Chairman and CEO
Mr. Denis Barnabé
Dr. Art Chow
Mr. Tom Edwards
Mr. Gary Gilmour
Ms. Beth Hojnocki

Richard Gallant and RM of Montcalm Councillor Denis Barnabe are representatives of the Rural Municipality of Montcalm under the Manitoba-Montcalm Co-Management Agreement.

MHWMC MANAGEMENT

Mr. Richard Gallant, Chairman and Chief Executive Officer
Mr. Roger Barnabé, Manager, Finance and Administration

MILLER ENVIRONMENTAL CORPORATION

Provincial appointees to the Miller Environmental Corporation board of directors

Mr. Florent Beaudette, St. Jean Baptiste *
Mr. Richard Gallant, Letellier*
Mr. Chris O'Grady, Winnipeg
Ms. Maureen Prendiville, Winnipeg

* Representatives of the Rural Municipality of Montcalm

Note: The other five members of this nine-member board are chosen by Miller Waste Systems, the joint venture partner with the MHWMC.

MEC MANAGEMENT

Mr. Vaughn Bullough, General Manager
Ms. Judy Barnabé, Administration and Accounting Manager
Mr. Jason Breakey, Operations Supervisor
Mr. Ross Edmunds, Technical Manager
Ms. Tammy Shimoji, Customer Services Manager

Manitoba Hazardous Waste Management Corporation

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